MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

TFA2141 – FINANCIAL ACCOUNT FOR MANAGERS

(All Sections/Groups)

18 OCTOBER 2019
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages excluding cover page with 4 Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

Part A

Cough Pharmacy sells medicine products to local residents. The business owned by Ms. Sara. The following shows the list of transactions occurred in the month of August 2019.

1. Ms Sara contributed RM50,000 cash into the business.
2. *Cough Pharmacy* opens a current account with a bank and deposits RM20,000 cash into the account.
3. Purchased medicine supplies from Nazz Supply on credit, RM10,000.
4. Purchased display shelves with a total cost RM4,000 from ZIKEA Enterprise on credit.
5. Sold medicine to customers in cash RM5,000.
6. The business bought a new computer RM3,000 from PC World Sdn Bhd. Ms Sara paid RM1,000 deposit by cash and the rest would be on credit.
7. Settled the amount owing to ZIKEA Enterprise by cash RM3,500, receiving RM500 cash discount.
8. Ms Sara withdrew RM500 cash from the business for personal use.
9. Paid utilities expenses by cash RM400.
10. Transferred RM1,000 cash into business bank account.
11. Paid monthly salary to employee RM1,000 in cash.

Required:

(i) Prepare journal entries to record the above transactions.

(12 marks)

(ii) Prepare Cash account for the month of August 2019.

(5 marks)

Continued ...

Part B

On 1st January 2015 Warrior Company purchased a machinery for RM400,000. It is the policy of the company to charge depreciation for machinery at the rate of 20% per annum on straight line method and the asset is depreciated in full in the year of purchase.

Required:

(i) Prepare a schedule showing the annual Depreciation expense, Accumulated Depreciation and Net Book Value of a machinery for each of the four years (2015, 2016, 2017 and 2018).

(6 marks)

(ii) Suppose on 31st December 2018, Warrior Company sells the machinery for RM100,000 cash. Prepare the appropriate journal entry to record the disposition of the machinery.

(2 marks)

(Total: 25 marks)

Continued ...

QUESTION 2

The following balances were extracted from the books of Zoro Enterprise as at 31st December 2018:

Items	Debit (RM)	Credit (RM)
Office Equipment at cost	115,000	
Goodwill	15,000	
Accumulated Depreciation : Office Equipment		19,000
Inventory as at 1 January 2018	15,000	
Sales		170,100
Purchases	50,000	
Insurance Expenses	4,000	
Utilities bill	5,000	
Interest paid	2,450	
Transportation cost	6,700	
Return Inwards	500	
Return Outwards		600
Discount received		500
Rental paid	24,000	
Staff Salaries	28,800	
Capital		191,250
Account Receivable and Payable	50,000	10,000
Bank	100,000	
Cash	23,000	
Drawings	3,000	
Bank Loan		50,000
Allowance for doubtful debt		1,000
	442,450	**442,450**

Additional Information:

1. Inventory as at 31 December 2018 was valued at RM 5,000.
2. Insurance prepaid was RM 1,500 as at 31 December 2018.
3. Allowance for doubtful debt is to be adjusted to 5% of the accounts receivable balance.
4. Depreciation of office equipment is provided at 10% per annum using straight line method.
5. The owner took business cash RM200 for personal use.

Required:

(i) Prepare Income Statement for the year ended 31st December 2018. (14 marks)

(ii) Prepare Statement of Financial Position as at 31st December 2018. (11 marks)

(Total: 25 marks)

Continued ...

QUESTION 3

Part A

The following information is available from the financial reports of King Company and Donald Company.

	King Company	Donald Company
Sales	26,510,000	34,512,000
Gross profit	6,610,000	8,887,000
Net income	565,000	1,221,000
Current assets	13,712,000	28,447,000
Total assets	22,088,000	36,167,000
Current liabilities	7,966,000	13,950,000
Total liabilities	10,100,000	29,222,000

Required:

(i) For each company, compute the following ratios: (*Round up your answers to two decimal points*)
1. Current ratio
2. Debt to assets ratio
3. Net profit margin

(12 marks)

(ii) Based on your calculations, compare the relative liquidity, solvency, and profitability of the two companies.

(6 marks)

Part B

Information given is an extract of comparative statement of financial position of Esso Company.

	2019	2018
	RM	RM
Accounts Receivable	875,000	550,000
Inventory	945,000	660,000
Total Assets	3,500,000	2,200,000

Required:

Prepare a vertical analysis. Based on your analysis, comment the results on accounts receivable and inventory.

(7 marks)

(Total: 25 marks)

Continued ...

QUESTION 4

Part A

The income statement of Prado Company is presented as below:

Prado Company
Income Statement for the year ended 31st August 2019

	RM	RM
Sales revenue		7,700,000
Cost of goods sold		4,700,000
Gross profit		**3,000,000**
Operating expenses:		
Selling expenses	450,000	
Administrative expenses	700,000	
Loss on sale of equipment	100,000	1,250,000
Net income		**1,750,000**

Additional information:

1. Accounts receivable decreased RM380,000 during the year, and inventory decreased RM300,000.
2. Prepaid expenses increased RM150,000 during the year.
3. Accounts payable decreased RM350,000 during the year.
4. Accrued expenses payable decreased RM100,000 during the year.
5. Administrative expenses include depreciation expense of RM110,000.

Required:

Using the above information, prepare the operating activities section of the statement of cash flows for the year ended 31st August 2019 for Prado Company using the indirect method.

(9 marks)

Continued ...

Part B

You are provided with the following transactions that took place during a recent fiscal year. Assuming that the company uses *indirect method* to report cash provided by operating activities

Transaction	**Operating (O) activities, Investing (I) activities, Financing (F) activities or Non-Cash (NC) transaction.**	**Cash Inflow, Outflow, or No Effect?**
1. Recorded depreciation expense.		
2. Recorded cash proceed from a sale of equipment.		
3. Acquired land by issuing common share.		
4. Paid cash dividend to shareholders.		
5. Paid cash to settle long-term note payable.		
6. Sold long-term investments for cash.		
7. Accounts receivable decreased in the year.		
8. Paid cash to purchase a machinery.		

Required:

(i) Classify each of the transaction as either Operating activity, Investing activity, Financing activity or Non-Cash transaction.

(8 marks)

(ii) Indicate whether the transaction identified in (i) represents a cash inflow, cash outflow or has no cash flow effect.

(8 marks)

(Total: 25 marks)

End of Paper